



**Dan Bucks**  
Director

# Montana Department of Revenue



**Brian Schweitzer**  
Governor

## **Advisory Council Working Group on Local Government Issues DRAFT**

Meeting Minutes

Friday, November 20, 2009

9:30 a.m. – 2:30 p.m.

Donovan Building on Last Chance Gulch in Downtown Helena  
(Next to Wells Fargo Bank)

### **Attendees:**

#### **Advisory Council Working Group on Local Government Members:**

Kathy Bessette, Chair, Hill County Commissioner  
Paulette DeHart, Lewis and Clark County Treasurer  
Jerry Jimison, Glendive Mayor  
Susan Nicosia, Columbia Falls Finance Director (by teleconference)  
Lisa Smith, Powell County Treasurer  
Chris "Shoots" Veis, Billings City Council Member  
Jason Wiener, Missoula City Council Member

#### **Excused:**

Kim Buchanan, Gallatin County Treasurer  
Ryan Rusche, Roosevelt County Attorney

#### **Department of Revenue:**

Dan Bucks – Director  
Rich Bechtel – Taxpayer Assistance and Public Outreach  
Ed Caplis – Tax Policy and Research  
Nita Grendal – Property Assessment  
Tina Hash – Director's Office  
Tracy Lane – Property Assessment  
Cynthia Monteau Moore – Property Assessment  
Chuck Pankratz – Property Assessment  
Alan Peura – Deputy Director  
Dallas Reese – Property Assessment  
Gene Walborn – Business and Income Taxes

#### **Other State Employees:**

Ralph Franklin, Governor's Budget Office  
Jim Standaert, Legislative Fiscal Division

#### **Members of the Public:**

Harold Blattie – Montana Association of Counties

The Honorable Mike Miller – State Representative from Helmville  
Mary Whittinghill – Montana Taxpayers' Association  
Ronda Wiggers – Montana County Treasurers' Association

NOTE: All DOR reports presented at this meeting are online at:  
[http://mt.gov/revenue/programsandservices/local\\_govt\\_wg.asp](http://mt.gov/revenue/programsandservices/local_govt_wg.asp)

**I. Welcome and Introductions – Commissioner Kathy Bessette, Chair**

**Chair Kathy Bessette** welcomed everyone to the Advisory Council Working Group on Local Government meeting. Attendees then introduced themselves. Minutes from September 24, 2009 meeting were approved.

Harold Blattie, Montana Association of Counties, asked if he could address the Council on reappraisal. Chair Kathy Bessette agreed to Harold's request. Harold provided a handout on Montana Code Annotated 15-10-420 and an example of a determination of tax revenue and mill levy limitations under that section using Lake County as the example.

He walked the group through these examples and expressed concerns about the potential impact on local government budgets due to the impact of the volume of informal reviews and appeals.

Jerry asked Harold if he has concerns with ag land reappraisal. Harold said yes, including concerns that assessment notices were mailed in August, which is a very busy time for farmers and ranchers, and that farmers and ranchers may have overlooked their assessments.

Discussion arose on county budgets and property tax collections and Paulette said local governments can budget on 100 percent collected but can't budget on delinquent taxes.

Kathy thanked Harold for his presentation.

**II. Update on property reappraisal – DOR Staff: Chuck Pankratz and Tracy Lane**  
➤ **Number of AB-26 reviews and appeals**  
➤ **Status of EPTAP**

Chuck said taxpayers have 30 days after receiving their assessment to file for an informal review. He said significantly more taxpayers stopped by the office this year for explanations rather than file for reviews. For residential assessments, the concerns are usually a value issue – did we set the value correctly; for ag land it's productivity and land use – changing from cropland to pasture, etc. Residential issues are usually pretty straightforward so his office works on these first.

Chuck said the AB-26 process, request for informal review, has helped immensely. It used to be taxpayers had to file an appeal first. Chuck said the reviews give taxpayers

a better understanding of their assessments and taxpayers are then less likely to go to the tax appeal boards.

Kalispell had the largest number of appeals. Chuck added ag land reviews should be completed by the end of December, early January 2010.

Shoots asked about Centrally Assessed property appeals. Chuck said our Central Office in Helena assesses these properties and appeals go to the Department's Office of Dispute Resolution and if necessary on to the State Tax Appeal Board (STAB).

Paulette reminded everyone you still have to protest your taxes even if you file an AB-26 and it hasn't been finalized yet. She said a lot of taxpayers don't understand this. Alan said we can alert taxpayers on our website to fill out protest forms. Taxpayers still need to pay their first half taxes and any adjustments are made on the second-half tax bill. Shoots asked if this will affect payments to local governments and Chuck said yes, there are financial issues and this is what Harold was referring to in his presentation. Paulette asked if the Department could provide in next couple months a report on the reduction in values. Chuck said we should be able to do that. Alan added he is looking into providing everyone a report to show trends and will provide a copy to all the county treasurers.

**Tracy Lame** provided information on the Extended Property Tax Assistance Program (EPTAP). **EPTAP** is a program that was re-established by the 2009 Montana Legislature. It is available to taxpayers who meet certain criteria. The taxable value of the property must have increased by more than 24 percent as a result of the 2009 reappraisal; property tax liability must have the potential to increase by \$250 or more (based on use of the 2008 mill levy); property owner must have owned the residence as of December 31, 2008, and, owners' total household income may not exceed \$75,000. Representative Mike Miller asked if there is seven-month residency requirement. Tracy said the dwelling must be occupied for seven months.

Tracy said we mailed out about 35,000 applications and the applications are also in our offices and on our website. The application deadline was November 19, 2009 and so far her office has received 6,801 applications.

Tracy said returns are uploaded in the ORION system and then we determine who is eligible. Any financial adjustments are made on the second half of taxes due.

### **III. Property valuation process – DOR Staff: Chuck Pankratz**

Chuck said staff look at neighborhoods with similar properties and group them together using a number system. They also group several counties together with similar economic conditions, age of homes and use the Multiple Listing Service (MLS) for sales in the neighborhoods to create a neighborhood model. Chuck said he wants a significant number of sales to create a neighborhood. Every sale was based on economic conditions as of July 2008.

The discussion moved to comparable sales. Chuck said we can provide this information but people have to sign a confidentiality agreement. Dan said we're one of a handful of states where sale prices are kept confidential. He added it would be much smoother if taxpayers had easier access to sales and comparables.

**IV. Certification and newly taxable property process – DOR Staff: Nita Grendal and Ed Caplis**

Nita explained the Property Assessment Division is responsible for certifying the total taxable value of all property located in each taxing jurisdiction within the county every tax year by the first Monday in August. She said this year they did not meet the deadline, which was allowed by HB658 as a result of reappraisal. She said it was a very busy summer for the Property Assessment staff.

Ed said his staff takes an extract from the information Nita and staff put together to determine newly taxable values. Ed said he is working with a computer vendor to move towards picking up what is actually "new" that will streamline the process.

Shoots said Billings is not part of newly taxable due to local ordinance. They can't grow their budget unless they grow the city. Ed said Billings can't even adjust its budget by inflation; Billings has to grow its tax base. Shoots said this encourages them to grow the city in order to grow the budget.

**V. Centrally assessed and industrial property – DOR Staff: Gene Walborn**

Gene said four staff in Helena handle centrally assessed property and five staff the industrial property. Those five spend a lot of time on the road visiting these properties around the state. Gene said centrally assessed companies use their properties to fulfill all of their contractual obligations.

Shoots asked about airlines. Gene said scheduled airlines like United and Delta are centrally assessed; charter flights are not.

Jerry asked about pipelines and a rumor the Department would assess, collect and keep half of the monies and give counties the other half for a new Canadian pipeline. Gene said no, the Department determines the market value for pipeline and certified value goes to the jurisdiction where the pipeline is; the counties keep all of the taxes in their jurisdiction. There is a misconception money will be taken from the school districts. Paulette said the counties bill pipelines just like the railroads. Dan thanked Jerry for bringing this matter up so the Department staff can address it.

Regarding unit valuation, Gene said the Department values all of a company's property, for example, Qwest operates in 14 states, and Montana gets a portion of their value. Dan said laws are not identical in all the states regarding this issue. Shoots asked if companies tell us what they think their value is and Gene said they do.

For a historical perspective, Gene said unit valuation has been around since the 1800s and started with the Adams Express Company.

Moving on to industrial properties, Gene said his staff works with the local Property Assessment staff to appraise these properties which include oil refineries, sugar factories, grain elevators, coal and metal mines. He said staff actually go on site to inventory the properties. His staff visits the largest properties once a year and the smaller properties once or twice during the reappraisal cycle. The local tax jurisdictions send out the tax bills. For industrial property, 90 percent overall is personal property and 10 percent real property.

Railroads have a statutory formula, not cost, market, income. All property is appraised annually and we don't make a distinction between real and personal.

Paulette asked how we know the reports we receive from companies reflect correct dollar amounts. Gene said we ask for their audited financials. Dan said we could ask for reports to be issued sooner in the year to validate information, but we run the risk of not getting accurate information unless we wait and use the audited financials.

Regarding appraising properties, Gene said administrative rules give appraisers ability to use judgment and provide some guidelines. Dan said standards have been developed with basic elements in rules and the larger elements are in a binder for Department staff. Plus, he said, the Montana Supreme Court and State Tax Appeal Board decisions provide guidelines. He added the *Albright Decision* says the Department must value all Montana property based on income, cost and market method for all types of property. Dan said important guidance comes from the judicial process. Commonality is used in all assessments except ag and forestland.

**Action Items:** Dan proposed that in a future meeting we will discuss local abatements and how to help the Department improve the local abatement process. DOR and local governments would benefit from a coordinated local abatement procedure.

Dan offered to schedule a teleconference with Jerry and other interested parties for a report on Keystone XL Pipeline.

Paulette asked if we could schedule a work session in the spring with city, county and DOR staffs to determine what worked in reappraisal and what didn't.

Shoots asked if local DOR staff could come to one of the Billings City Council meetings to discuss issues. Dan said one of our Regional Managers would be able to accommodate his request and added we could look at putting together a presentation to take to other public meetings.

**VI. Mobile home title changes** ———— DOR Staff: **Delay Until Next Meeting**

**VII. Public Comment**

Mary Whittinghill thanked the Department for establishing this Council and said this was a very interesting agenda.

#### **VIII. Next Meeting Date**

The next meeting will be scheduled sometime in March 2010.

**...consider facility tour...this is the tax processing location...**

#### **Local Government Working Group Purpose:**

The Working Group shall gather information and may make recommendations on issues concerning, but not limited to, the annual certification of taxable values and newly taxable property, enhancements to Department communication and services to local governments, and the administration of shared revenue sources (e.g. coal gross proceeds and oil and gas revenues).